

# Major Moves Help Desk

## Office of Governor Mitch Daniels

### In Case you Missed It...

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#### Let private sector operate the toll road

By PATRICK BARKEY

Watching the tug and pull of partisan politics in full bloom in our state capital brings to mind that old saying about making laws and making sausage: You don't really want to see how either one is made.

But as our elected leaders posture and fight over the table scraps of new revenue that can realistically be said to be squeezed out of what has historically been an overcommitted state budget, another, more hopeful, vision comes to mind.

It's a vision of a break, a time-out, for introspection and evaluation. We spend an awful lot of money in the public sector, after all. Shouldn't we pause from time to time, put everything on the table and ask what is it that our governments do well, and what is it that they do poorly? And are there things that can be publicly supported, instead of publicly operated?

It's not about ideology; it's about performance. In the public realm, there are constraints on behavior that don't exist in the private sector, and vice versa. Contrast, for example, the reaction to the recent an-

nouncement of the closings of several Osco Drug stores throughout the state with what occurred in the aftermath of the announcement of closing state-run Bureau of Motor Vehicles offices. Is it any wonder that the private sector is more efficient? The private sector is ultimately, of course, a more selfish environment as well. Its concern for the bottom line does not bode well for such socially important concepts as universality, equality or even compassion. And, of course, governments give us laws and protections that no society can live without.

But can governments run toll roads? Of course they can, and they do, almost everywhere around the country you look. But the \$3.85 billion bid for operations of the Indiana Toll Road by the same Spanish-Australian consortium that recently assumed operations of the Chicago Skyway is pretty solid proof that the private sector can do it better.

Over the term of its 75-year lease, that bid is a bet that the company can carry out capital improvements, operate the road, and make what is essentially a \$200 million dollar annual mortgage payment, and still make a profit for its shareholders. How can it do that?

In a word, service. Sure, private sector operations of the Toll Road

will raise rates, but like any business, it can't afford to scare its customers away. So you can expect the company to carry out the kind of improvements that will make usage of the road go up, not down. Don't like stopping every few miles to dig into your pockets for money? You don't have to. Technology for automatically assessing tolls without slowing from highway speeds -- with monthly payment by mail -- has existed for years, but don't count on the public sector to provide it. But a private-sector company, which needs to increase ridership to make a profit, can and will do that. Because it has to, to earn a return on its investment. The highly publicized feeding frenzy over the distribution of the proceeds of the lease misses this point. Yes, we need more money to build roads, and leasing the toll road, whatever its risks, accomplishes this aim. But we also need our publicly run enterprises to be efficient, innovative and customer-oriented. And if that can be accomplished best by letting the private sector take the helm, then that's exactly what we should be doing.

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### Did you Know?

**Tolls are not going to skyrocket under Major Moves.**

**The toll for a passenger vehicle traveling from Elkhart to Mishawaka could increase from \$0.50 to \$0.60 in 2010.**

*Rate increase is based on an average increase in the US per capita Gross Domestic Product (GDP) of 4.2% compounded between 2006 and 2010. 4.2% is the average per capita GDP increase between 1995-2005.*

### Building a Better Toll Road

According to the lease agreement, Statewide Mobility Partners must complete construction projects to improve the Toll Road the State has delayed for years.

**Addition of 3rd lane from mile 18.5 to 20.2 must be complete by 12/31/2007 (both directions).**

**Addition of 3rd lane from mile 10 to 15.5 must be completed by 12/31/2008 (both directions).**

**Toll Road elevation must be lowered from mile 10.6 to 14 to accommodate Gary/Chicago Airport by 12/31/2010.**

### Answers to Lawmakers Questions

#### What control would Government have in the event of terrorist's intervention or activities?

Any terrorist activity would be classified as a national state of emergency and the State would assume control of the Toll Road until the state of emergency was lifted.

#### What recourse would the State or Federal governments have for non-compliance, irregularities, bankruptcy, foreign intervention, etc?

If the Operator breaches the contract and is unable to cure the breach, ultimately the contract is terminated and the State resumes operation of the toll road without refund of any portion of the \$3.85 billion.